

MEMORANDUM



To: Honorable Mayor and City Council
From: Finance Subcommittee for Council Action
Subject: Subcommittee Work Plan and Consolidation of Single Merchant Store Cards into a Procurement (CAL-Card) Program
Date: November 23, 2005

Background:

The Finance Subcommittee met in November, 2005 to discuss among other things, Subcommittee work plan and consolidation of Single Merchant store cards. Staff included the Finance Subcommittee minutes dated Nov. 2, 2005 for your reference. The Finance Subcommittee Work Plan is attached for your approval and the recommendation to consolidate single merchant store cards with a Procurement card (CAL-Card) program is discussed below.

Discussion:

In the past, the City arranged with many local stores to issue either store cards or signature authority to City employees to purchase miscellaneous supplies or equipment for the departments' operating needs. There are fifteen stores that have this kind of arrangement with the City. The store cards or signature authority are typically issued to front-line employees that are responsible for purchasing small items for the departments. Because a store card is only valid for purchasing at that store or its chains, the same employees who have purchasing responsibilities for the departments may have multiple store cards or signature authority at various stores. At last count, there are 520 store cards or signature authorities issued.

While there is a need to allow each department to purchase miscellaneous supplies and equipment quickly in order to facilitate operation, this type of arrangement is not ideal. The sheer number of store cards and signature authorities is difficult to control. In addition to department heads spending a lot of time to review expenses and authorize payments, Finance staff also spends a lot of time to reconcile and process payments to various stores.

One very viable solution is to consolidate as many of these store cards and signature authorities as possible into one program, the CAL-Card program. The State of California has operated the CAL-Card program for 11 years which has proven to be very effective. The City of Milpitas is already a participant in the program except that it does not take advantage of the program for purchasing purposes. Instead, CAL-Cards were issued to the City Council and department or division heads, and are primarily used for travel and conference registration, essentially functioning as a credit card.

CAL-Card as a procurement tool has many advantages. It is readily acceptable by all stores that accept VISA credit cards and therefore can greatly expand the supplier base. Department heads can set spending limits on single transactions, monthly transactions, restrict purchase to certain merchant types and therefore enhance internal controls. The CAL-Card program also provides other benefits. It has a 45 day payment term which is the most generous among all the credit cards. There are no annual card fees and the City can receive rebate for early payments. Each cardholder is insured up to \$100,000 and Visa Banking services who is contracted with the State, will handle any vendor disputes. With proper internal controls, CAL-Card can streamline City's operations by reducing staff time to monitor, reconcile and process numerous store card payments.

Should the City Council approve this program, Purchasing staff will work with each department to control the number of cards that need to be issued, based on department needs and good written justification. Purchasing staff will also work closely with each department to set limits and develop and provide a comprehensive training program to ensure that employees who are issued cards will fully understand their responsibilities.

Recommendations:

- 1) Approve the Finance Subcommittee Workplan.
- 2) Approve the consolidation of the City's single merchant store cards with the Procurement Card (CAL-Card) program

MEMORANDUM

Office of the City Council



To: Mayor and City Council
From: Finance Subcommittee
Subject: Finance Subcommittee Workplan
Date: November 22, 2005

RECOMMENDATION

Approval of the Finance Subcommittee workplan for the period December 2005 through March 2006.

WORKPLAN CONTENTS

December 7, 2005

1. Draft Tenant Improvement Program
2. Planning Process and Development Services Improvements
3. City Attorney Services – Policies and Practices
4. Draft Temporary Employee Strategic Plan
5. Job Order Contracting
6. Monthly Reorganization Report
7. Discussion re: City Owned Vacant Properties
8. On-Line Permitting
9. Modified Duty Program

January 4, 2006

1. Fire Department Overtime Update
2. Planning Process and Development Services Improvements
3. Vacant Position Review
4. Fire Department Inspection Division Staffing
5. Economic Indicators
6. Economic Development Report and Implementation Discussion
7. Compensation Adjustments for Price Index Fluctuations in the Cost of Paving Asphalt
8. Monthly Reorganization Report
9. Mid Year Budget Discussion

February 1, 2006

1. Planning Process and Development Services Improvements
2. Customer Service Standards
3. Clean and Safe Streets Initiative
4. Review of City's Cellular Phone Program
5. Public Safety Fee Policy for Public Events
6. Affordable Housing Goals, Accomplishments and Forecasts
7. Parks and Recreation Foundation and Community Grants Discussion
8. Monthly Reorganization Report

March 1, 2006

1. Planning Process and Development Services Improvements
2. Finance Subcommittee Workplan

3. Finance Committee Budget Policies
4. Review Vehicle Fleet Inventory
5. Discussion on the Maintenance of Parks and Community Facilities
6. Discussion of Milpitas' Community Outreach Strategies
7. City Attorney Budget Update
8. Monthly Reorganization Report
9. Library Governance Analysis Report

CITY OF MILPITAS
CITY COUNCIL (FINANCE) SUBCOMMITTEE
Wednesday, November 2, 2005, 4:00 p.m.
455 E. Calaveras Blvd.

I. CALL TO ORDER - Vice Mayor Gomez called the meeting to order at 4:00 pm

Attendance:

City Council: Vice-Mayor Armando Gomez, Council member Debbie Giordano

Staff: Emma Karlen, Jane Corpus, Carmen Valdez, Greg Armendariz, Christopher Schroeder, Cindy Maxwell, Steve Mattas, Richard Pio Roda

II. CITIZENS FORUM - None

III. APPROVAL of MINUTES: The September 28, 2005 minutes were reviewed and approved.

IV. ITEM FOR DISCUSSION

A. Finance Subcommittee Workplan

Vice-Mayor Gomez - presented a workplan as a basis for the Finance Subcommittee to use to address issues from month to month. Through this workplan the Council would be kept informed of what the subcommittee is working on. **Council member Giordano** was in agreement with the workplan.

Emma Karlen, Finance Director - The item to discuss the mid-year budget will be done in January instead of February.

B. Tenant Improvement Program Guidelines

Vice-Mayor Gomez - wanted to suggest to the Planning Department some ideas and guidelines for consideration when the tenant improvement program is drafted. As a city, our top priority is redevelopment, incentives for businesses looking to relocate and to be competitive with other cities. Some ideas and guidelines for the T.I. plan are: to come up with a way to expedite the plan review process; look into forming one review team where all decisions can be presented at once; review the time and length of the process; where applicable, provide financial incentives, fee payment installment plan or defer fees; develop a fee program for expedited review and inspection and find out what other cities are doing.

Emma Karlen, Finance Director - Is aware that the Planning Director and Economic Development Manager are looking into this type of program. They can provide the feedback to this subcommittee.

- **Tom Williams, Planning Director** - To present a draft of a Tenant Improvement Program at the next Finance Subcommittee meeting.

C. Planning Process Improvements

Vice-Mayor Gomez – would like the Planning Department to develop and simplify the planning process. Review what can be done internally to streamline planning services to promote business so the customer does not get caught up in the bureaucratic maze.

Steve Mattas, City Attorney – Indicated there some cities have expedited ways for some levels of approval to go through the staff level “zoning administrator” of approval. In this way a city gives up some of the control at the first level of approval in order to expedite the time frame. Find certain types of actions that can be approved with limited notice or without a public hearing that can be appealed up the chain.

- **Tom Williams, Planning Director** – To keep the Subcommittee updated on the progress of an expedited plan review process.

D. City Attorney Services – Policies and Practices

Vice-Mayor Gomez – In the adopted Reorganization Policy we wanted to figure what would the cost be to have an in-house city attorney vs. the cost for having contracted services. Once we have this figure, we should then budget under this number and develop a policy not to exceed this figure.

Steve Mattas, City Attorney – Suggested an approach is to think how the department would be staffed, i.e. (2 attorneys, 1 part-time paralegal, 1 secretary) vs. (3 attorneys) and cost out at today’s market. Pull out the litigation component to develop a baseline figure for basic services and make a comparison to what the actual City expenditures are today.

Vice-Mayor Gomez – His second concern is if any labor negotiations can be handled in-house to reduce attorney costs. Staff would have to review feasibility. Prior to 1997 the HR Director did most of the labor negotiations, with the Council providing advice and an attorney for final review.

- It was recommended to hold further discussion on this item and agendize for closed session.

E. Temporary Employee Strategic Plan

Vice-Mayor Gomez – City Council wants us to determine the length of time we should have a full-time temporary employee filling a position, identify which positions should be brought on and how much it would cost.

- **Carmen Valdez, HR** – Report back on which full-time positions should be made permanent and the cost associated with each position. Develop a long-term implementation strategy on which positions should be brought on immediately, and which ones can be brought on further out.

F. Monthly Reorganization Report

Vice-Mayor Gomez – Would like the City Manager to provide Council with a monthly status report on the implementation of the reorganization process. Some of the changes have resulted in a cost savings, which would be good to document.

G. Proposed Revisions to the Purchasing Ordinance

Emma Karlen, Finance Director – Presented a proposal for changes to the City's current Purchasing Ordinance. The recommended changes are a result of a recent financial audit of the City's Purchasing procedures and practices. The proposed Purchasing Ordinance will increase the threshold limits for purchase order requirement from \$2,000 to \$5,000, informal bid requirement from \$2,000 to \$5,000, formal bid requirement from \$10,000 to \$20,000, and Council's approval requirement from \$5,000 to \$20,000. Statistics show that over half of our purchases are for under \$5,000.

Our current limits are very low compared to other cities. These new limits are recommended based on a survey comparing the City's purchasing thresholds with other neighboring similar-sized cities. By adopting these recommendations, the Purchasing staff would be able to operate more effectively and efficiently. It will also streamline a lot of paperwork and encourage responsibility for each department.

- **Council member Giordano** – Moved to recommend this new Purchasing Ordinance to Council.

H. Procurement Card Program Presentation

Christopher Schroeder, Purchasing Agent – In FY 04-05 Purchasing and Accounts Payable processed 550 purchase orders for \$43 Million. Out of these 550 P.O.'s, 270 were for under \$5,000, but only equaled \$890,000. This means 49% of the work done by Purchasing and Accounts Payable only equaled 2% of the value, and the return for the time spent was very small. Currently there are about 355 store cards or signing authority issued to employees with 11 different stores for purchase of supplies. All require monthly statement processing, with limited built-in controls.

An opportunity for improvement is to use the State of California CalCard more effectively. Currently this card is generally used as a credit card. The greater value of the card would be as a procurement tool. Some benefits of expanding the use of the CalCard would be: expand supplier base, save staff time in processing paperwork, get supplies and services quicker, \$100,000 insurance for fraudulent use at no charge through VISA banking services, VISA handles vendor dispute, this is the only program that has a 45-day payment term with no annual card fee and no administration fee, increase customer and vendor satisfaction, and has a rebate program. Instead of writing multiple vendor checks, can issue one check. There are also 3 levels of abuse control.

Based on each Department's request, it will be determined which employees really need to have authorization to use the CalCard. We will also be reviewing the need of current cardholders. It is not intended to expand the number of users.

- **Council member Giordano approved presenting this to Council - To replace as many current single-merchant credit cards with the CalCard, provide a comprehensive training program, put the cards in the hands of front-line users**
- **All recommendations from today's meeting will be presented as a Finance Subcommittee Packet to Council at the first meeting in December, 2005.**
- **The Purchasing Ordinance will be presented as a separate item.**

V. OTHER BUSINESS

None

VI. NEXT MEETING - Wednesday, December 7, 2005 at 4:00 pm

VII. ADJOURNMENT